



CERTIFIED PUBLIC ACCOUNTANTS

George D. Good  
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## Independent Auditors' Report

Board of Directors  
Creative Commons Corporation

We have audited the accompanying Statement of Financial Position of Creative Commons Corporation (a nonprofit organization) as of December 31, 2004, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended. These financial statements are the responsibility of the Organization's management.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Creative Commons Corporation as of December 31, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

July 22, 2005

**Creative Commons Corporation**  
**Statement of Financial Position**  
**December 31, 2004**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 889,081
Grants Receivable	190,000
Loan Receivable	12,865
Prepaid Expenses	<u>23,328</u>
Total Current Assets	<u>1,115,274</u>

**NONCURRENT ASSETS**

Property and Equipment - Net	<u>23,420</u>
Total Noncurrent Assets	<u>23,420</u>

Total Assets	<u>\$ 1,138,694</u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$ 22,962
Accrued Vacation	7,641
Accrued Expenses	<u>2,172</u>
Total Liabilities	<u>32,775</u>

**NET ASSETS**

Unrestricted	923,639
Temporarily Restricted	<u>182,280</u>
Total Net Assets	<u>1,105,919</u>

Total Liabilities and Net Assets	<u>\$ 1,138,694</u>
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**Creative Commons Corporation**  
**Statement of Activities**  
**Year Ended December 31, 2004**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND GAINS</b>			
Foundation Grants	\$ 188,720	\$ 182,280	\$ 371,000
In-Kind Contributions	124,767		124,767
Special Events	57,451		57,451
Foreign Currency Translation Gain	29,933		29,933
Contributions	14,429		14,429
Prizes	11,746		11,746
Interest Income	7,378		7,378
Sales	1,422		1,422
	<u>435,846</u>	<u>182,280</u>	<u>618,126</u>
Net Assets Release from Restrictions			
Satisfaction of Program Restrictions	<u>1,150,000</u>	<u>(1,150,000)</u>	<u>-</u>
Total Revenue and Other Support	<u>1,585,846</u>	<u>(967,720)</u>	<u>618,126</u>
<b>EXPENSES</b>			
Program Services	1,105,583		1,105,583
Supporting Services			
Management and General Expenses	122,145		122,145
Fundraising Expenses	112,517		112,517
Total Expenses	<u>1,340,245</u>	<u>-</u>	<u>1,340,245</u>
<b>CHANGE IN NET ASSETS</b>	245,601	(967,720)	(722,119)
<b>NET ASSETS, JANUARY 1, 2004</b>	<u>678,038</u>	<u>1,150,000</u>	<u>1,828,038</u>
<b>NET ASSETS, DECEMBER 31, 2004</b>	<u>\$ 923,639</u>	<u>\$ 182,280</u>	<u>\$ 1,105,919</u>

**Creative Commons Corporation**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2004**

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 309,966	\$ 48,316	\$ 26,099	\$ 384,381
Payroll Taxes	25,733	4,011	2,167	31,911
Employee Benefits	11,131	1,732	571	13,434
	<u>346,830</u>	<u>54,059</u>	<u>28,837</u>	<u>429,726</u>
Consulting and Design	319,311	28,851	15,584	363,746
Legal Fees	125,474	11,473		136,947
Travel and Conferences	72,085	1,136		73,221
Recruiting	65,182			65,182
Special Events			62,270	62,270
Website Development and Hosting	53,450			53,450
Publicity and Communication	48,631			48,631
Occupancy	35,225			35,225
Supplies	21,811			21,811
Insurance		14,104		14,104
Bank Charges	8,082	330		8,412
Telephone	7,534			7,534
Depreciation		7,461		7,461
Membership and Dues			5,826	5,826
Accounting Fees		4,408		4,408
Miscellaneous	1,968	323		2,291
	<u>1,968</u>	<u>323</u>		<u>2,291</u>
<b>Total Expenses</b>	<b>\$ 1,105,583</b>	<b>\$ 122,145</b>	<b>\$ 112,517</b>	<b>\$ 1,340,245</b>

**Creative Commons Corporation**  
**Statement of Cash Flows**  
**Year Ended December 31, 2004**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ (722,119)
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation	7,461
(Increase) Decrease in Operating Assets	
Grants Receivable	810,000
Loan Receivable	3,753
Prepaid Expenses	(23,328)
Increase (Decrease) in Operating Liabilities	
Accounts Payable	(30,016)
Accrued Vacation	7,641
Accrued Expenses	2,172
Net Cash Provided by Operating Activities	<u>55,564</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of Property and Equipment	<u>(21,633)</u>
Net Cash (Used) by Investing Activities	<u>(21,633)</u>

**NET INCREASE IN CASH** 33,931

**CASH, January 1, 2004** 855,150

**CASH, December 31, 2004** \$ 889,081

**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2004

**1. Summary of Organization and Significant Accounting Policies**

**Organization** – Creative Commons Corporation (Creative Commons) is a Massachusetts nonprofit public benefit corporation devoted to expanding the range of creative work available for others to build upon and share.

**Basis of Accounting** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

**Basis of Presentation** – Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, Creative Commons is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

**Estimates** – Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of asset and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**Cash and Cash Equivalents** – For purposes of the Statement of Cash Flows, Creative Commons considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Grants Receivable** – Grants receivable consist of a single year grant.

**Property and Equipment** – Creative Commons capitalizes all expenditures for property and equipment in excess \$1,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2004  
(Continued)

**1. Summary of Organization and Significant Accounting Policies – continued**

**Restricted and Unrestricted Revenue** – Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

**Donated Services** – The financial statements reflect \$124,767 for donated legal services to evaluate the copyright and copy protection implications and consequences of its licensing, music storage, and collaborative artistic operations. Management considers that the legal consultations constitute adequate precautions to mitigate exposure to liability.

**Income Taxes** – Creative Commons is exempt from income taxes under Internal Revenue Section 501(c)(3). Creative Commons qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

**Functional Allocation of Expenses** – Costs of providing programs and other activities are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated to the programs and supporting services by a method which best measured the relative degree of benefit. Accordingly, certain costs have been allocated between the program and the supporting services in reasonable ratios determined by management.

**Concentration of Credit Risk** – Creative Commons maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2004, the uninsured cash balances total \$763,204.

- 2. Loan Receivable** – Creative Commons loaned its former president \$20,000 to subsidize his moving and resettlement expenses. The loan bears interest at 5% with variable payments and is payable in full February 15, 2006. At December 31, 2004, the balance due was \$12,865.

**Creative Commons Corporation**  
Notes to Financial Statements  
December 31, 2004  
(Continued)

**3. Property and Equipment**

Computer Equipment	\$ 35,486
Less: Accumulated Depreciation	<u>(12,066)</u>
Total Computer Equipment	\$ <u>23,420</u>

- 4. Temporarily Restricted Net Assets** – Temporarily restricted net assets in the amount of \$182,280 are available for general support for the year ending December 31, 2005.

- 5. Related Party Transaction** – The Organization loaned its executive director funds to subsidize his moving and resettlement expenses. The remaining balance and accumulated interest on the loan was forgiven in 2005, and the value of the loan forgiveness will be included in his annual summary of earnings.